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SUBJECT: NORTHERN NOTES MAY 2009

REF: A) THESSALONIKI 01, B) THESSALONIKI 027

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Following is a summary of major developments in northern Greece:

THESSALONIKI PORT LOSES SHARE OF INTERNATIONAL MARKET, INCREASES PROFITS

¶1. (U) On May 05, local media reported that the port of Thessaloniki's international role is gradually diminishing. Media stated that in the first quarter of 2009, only 8% of the containers handled by the Cargo Station were in transit for other countries, compared to 19% the year before. However, Minister of Merchant Marine Anastasios Papaligouras reported at a speech in Thessaloniki on May 14, that the number of Greek containers handled at the port since January 2009 had increased by 50%, compared to the same period last year. On May 26, Port Authority Executive Director Ioannis Tsaras said in a press conference that despite a 17.47% reduction of the Port's overall turnover in the first quarter of 2009, profits increased by 77.72%. The port has recently suffered from a year-long labor slowdown, that ended on April 1, soon after the cancellation of an earlier tender for the privatization of the port's Cargo Station(Ref A.)

ZONE OF INNOVATION PRESIDENT RESIGNS, RESTRUCTURING ANNOUNCED

¶2. (U) On May 11, the board of the Zone of Innovation accepted the resignation of former President Iakovos Vassalos (Ref B.) Speaking to the press, Minister of Macedonia-Thrace Stavros Kalafatis was confident that the above development would not delay further the project, announcing the package of incentives for investing businesses in the Zone will be sent to the EU Competition Committee for approval "very soon." Also, he revealed plans to replace some members of the Zone's board of directors and to create two centers, to the east and west of the city, so as to facilitate the balanced development of Thessaloniki. Minister Kalafatis recently stated to post that the Zone of Innovation remained one of his "top priorities."

CONVERSION OF SUGAR INDUSTRY UNITS TO BIO-ETHANOL PRODUCTION,
"STILL AN OPTION"

¶3. (U) On May 31, local press published an interview by the Executive Director of Sugar Industry S.A. Dimitrios Darnakas, in which he openly questioned the GoG's political will to support the country's sugar industry. Furthermore, he revealed that the company has recently commissioned a feasibility study concerning the conversion of the sugar industry plants in the cities of Larisa and Xanthi to bio-ethanol production units. Consultants who participated in the failed effort to privatize the sugar factories have told post that conversion to bio-ethanol production is possible but very unlikely given market conditions.

TAX EVASION SCANDALS DISCOVERED IN CENTRAL MACEDONIA

¶4. (U) On May 11, the Thessaloniki Special Economic Squad revealed seven unconnected cases of tax evasion, involving seven different companies, based in Thessaloniki. The companies had set up offshore branches in Cyprus, evaded taxes estimated at about 7m (\$9.8m) and were fined a total of 15m (\$21m). In another case, twelve mostly Athens-based companies were claiming to be exporting goods to Bulgaria via the Thessaloniki customs office, so that they could receive VAT returns worth 7.3m (\$10.2m.) Four Thessaloniki customs officers, seven businessmen and twelve company owners have been charged and fines of a total of 110m (\$154m) were imposed.

NORTHERN GREEK INDUSTRIES REVEAL SHARP FALL IN COMPETITIVENESS

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¶5. (U) In a press conference, the Federation of Industries in Northern Greece presented last year's report by the International Institute for Management Development (IMD) according to which Greece has lost another ten positions in the competitiveness index. It suffered the second biggest drop after Estonia and is now in the 52nd position out of 57 countries covered in the report. Last year's drop follows that of 2007, when Greece conceded another six places to move down to 42nd from 36th in 2006. The report states that the sharpest fall was in the areas of government and entrepreneurial effectiveness. New Federation of Industries of Northern Greece President Pentzos spoke of the need for the government and businesses to address "long-standing problems."

STUDENT TESTED POSITIVE FOR SWINE FLU

¶6. (U) A 20-year old student who arrived from Edinburgh, Scotland, was the first confirmed case of swine flu in Thessaloniki. The student is a classmate and friend of a 21-year old who was also admitted to a hospital in Athens on May ¶25.

TRAFFICKING RING IN NORTHWEST GREECE DISMANTLED

¶7. (U) On May 16, Hellenic Police arrested two Greek men and a woman in the northwestern Greece town of Ptolemaida, in

connection to the operation of a human trafficking ring. One of the men is accused of illegally keeping eight foreign women who worked in his bar in Ptolemaida. The arrests followed a statement to the police by one of the above women - confirmed to post by an anti-trafficking NGO - according to which the bar owner confiscated the women's travel documents, threatened their lives and forced them into prostitution. In a different case, police in Xanthi arrested a Greek citizen for forcing into prostitution an Albanian woman.

BIG INCREASE OF ASYLUM SEEKERS IN THESSALONIKI

¶18. (U) On May 12, the Immigration Office of Thessaloniki announced a dramatic increase in the number of submitted asylum-seeking applications. More specifically, in the first quarter of 2009, the Office received 418 applications, compared to 807 in 2008 and 363 applications in 2007.

ILLEGAL IMMIGRATION - STATISTICS AND ARRESTS

¶19. (SBU) On May 23, FRONTEX (EU body for co-operation on border security) conducted an exercise in both Greek and Bulgarian territory under the name "Thrace 2009." The exercise concluded that Hellenic Police lack the technical capabilities that would allow for improved results in their effort to combat illegal immigration on the Greek-Turkish border [Note: On a recent visit by post to the Greek-Macedonian border, the local Police Director told post his force is "adequately equipped." End Note]. In an interview with local press, Hellenic Police Deputy Director Nikolaos Menexidis stated that in the first four months of 2009, 1,082 illegal immigrants and 22 smugglers were arrested on the Greek-Turkish border. In the past month, 93 illegal immigrants were arrested, including two Albanians, 16 Iraqis and seven Chinese and also, 11 smugglers, including two Turkish, one Albanian and one Lithuanian.

NARCOTICS - THESSALONIKI "AT HEROIN CROSSROADS"

¶10. (U) Local media describe the popular among smugglers "Balkan drug route," which starts from heroin-producing countries (most often Afghanistan) and passes through Turkey,

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Greece, Albania and Italy. As proof of the above, media notes that 20.9 kilos of heroin have been confiscated in Thessaloniki since January 2009.

SECURITY ISSUES/VIOLENT INCIDENTS

¶11. (SBU) On May 16-18, there was a series of arson attacks with Molotov bombs and gas canisters in different parts of Thessaloniki. One of the strikes was against the offices of Retired Army Officers, near the U.S. Consulate General and next to the offices of the Jewish Community of Thessaloniki. No arrests were made. On May 20, the organization "Nuclei of Fire" claimed responsibility for an arson attack against a building under construction that will soon house a new Police Station. Small damage was caused and no arrests were made. On May 21, around 30 people attacked policemen with sticks and rocks, while the latter were questioning two drivers whom they had stopped.

The attackers quickly retreated to the University campus, from where they had come and police were not able to enter in pursuit, due to the university asylum law. A policeman was injured and two people were detained. On May 24, unknown perpetrators threw a Molotov bomb at an ATM, damaging it slightly.

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